

**SUBSTITUTING RESERVE/GUARD UNITS FOR
ACTIVE-DUTY UNITS TO REDUCE COSTS:
FIVE EXAMPLES**

June 1983

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PREFACE

This year the Congress is actively debating plans to transfer more missions from the active-duty forces to the Reserves. This paper documents analyses of the effects on costs and manpower levels—active, reserve, and civilian—of five illustrative substitutions. The paper was prepared at the request of the Military Personnel and Compensation Subcommittee of the House Armed Services Committee, and also responds to a request from Senator John Warner for similar information. In keeping with CBO's mandate to provide objective analysis, this paper offers no recommendations.

John Enns, of CBO's National Security and International Affairs Division, performed the analysis under the general supervision of Robert F. Hale. Joel Slackman reviewed the paper. Assistance in developing the cost estimates was provided by Ed Swoboda and Pat Haar of CBO's Budget Analysis Division.

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INTRODUCTION

This paper documents CBO's estimates of the long-run savings that would be realized by five illustrative substitutions of reserve/guard units for active-duty units. The estimates include military personnel costs and operations and maintenance (O&M) costs, including civilian personnel costs. The estimates are based on the fiscal year 1984 budget and assume that the cost relationships contained therein—for example, real O&M costs per active squadron of F-16 aircraft—remain constant in the future. Finally, the savings are calculated assuming that the Administration's force expansion planned for 1984-1988 is actually achieved. If this growth is constrained because of budgetary limits, then the savings projected in this paper would be reduced accordingly.

There are many possible ways to limit the growth in active forces and substitute reserve/guard forces over the next five years. The Congressional Budget Office (CBO) analyzed the costs of five examples that seem plausible and cover all four services:

- o Increase Army roundout battalions--made up of guard personnel--to include all 10 divisions based in the continental U.S. (CONUS).
- o Introduce Marine Corps roundout brigades in the two CONUS-based divisions.
- o Transfer four Navy battleships from the active to the reserve fleet. (Only one battleship is currently in active service but three reactiverations are planned.)
- o Increase Air National Guard (ANG) fighter squadrons from 18 to 24 aircraft and transfer new F-16 aircraft to existing ANG units.
- o Increase ANG airlift squadrons from 8 to 16 aircraft and transfer new mobility aircraft (C-5s) to ANG units.

CHANGES IN COSTS AND MANPOWER

CBO assumed that these substitutions would be phased in over the next five years. By the end of fiscal year 1988, when all the changes were complete, total annual savings in O&M and military personnel costs would be about \$540 million (see Table 1). About 40 percent of these savings would be in O&M; the other 60 percent would be in the military personnel accounts.

TABLE 1. SUMMARY OF ANNUAL, LONG-RUN COST SAVINGS
RESULTING FROM RESERVE SUBSTITUTIONS FOR
ACTIVE FORCES (In millions of fiscal year 1984 dollars)

Change in Force Structure	Savings (Costs) in Operations and Maintenance Costs <u>a/</u>	Savings in Military Personnel Costs <u>b/</u>	Total Savings
Replace Five Active Army Battalions With Five Reserve Roundout Battalions	5	60	65
Replace Two Marine Corps Active Brigades With Two Reserve Roundout Brigades	5	90	95
Transfer Four Battleships From Active to Reserve Fleet	175	55	230
Increase Air National Guard Fighter Squadrons to 24 Aircraft and Add New Squadrons	(20)	50	30
Increase Air National Guard Airlift Squadrons to 16 Aircraft and Add New Squadrons	<u>65</u>	<u>55</u>	<u>120</u>
Total Savings	230	310	540

SOURCE: CBO Defense Resource Model (DRM), which is based on the Department of Defense Fiscal Year 1984 Budget adjusted for changes planned by the Administration through 1988.

- a. Operations and maintenance savings include direct costs of operations (fuel, supplies, etc.), as well as civilian personnel costs.
- b. Military personnel costs include all active-duty and Reserve pay and allowances, bonuses, permanent change-of-station travel, subsistence in-kind, and government contributions to Social Security.

The estimated savings in O&M include only direct operating costs for a unit. The O&M savings would be larger if some support costs were reduced as well. For example, Army combat training exercises require support from maintenance and supply units. If, as a result of the substitution of roundout battalions for active battalions, the number of active unit training days falls, it may be possible to reduce the size of these support units and save additional O&M dollars.

The use of more guard/reserve personnel would allow the active force increases now planned by the Administration to be reduced. By 1988, the five substitutions described above would result in 22,200 fewer active-duty personnel (see Table 2).

Offsetting the reduction in active-duty personnel would be an equal increase in the number of reserve personnel by 1988; and, because many reserve units rely on full-time civilian technicians, requirements for civilians would increase by 2,300. The cost estimates in this paper assume that these additional reserve and civilian personnel are over and above the other increases planned by the Administration. However, it may be possible to meet some of these increased requirements for reserves and civilians with the increases already included in the Administration's plans. If this were done then the savings would be greater than shown in Table 1.

LIMITATIONS OF THIS ANALYSIS

The illustrative substitutions in this paper are generally modest in scope and should not require substantial new reserve or guard facilities. Nor should overall procurement increase substantially, since the equipment now being purchased for active-duty units could be transferred to the reserves along with the mission. To the extent that any new facilities are required, however, or if some additional equipment must be purchased, then savings would be lower than those cited above. Also at selected geographic locations, the number of reserve/guard personnel probably would have to be increased. Costs to pay these personnel at today's pay rates are included in the estimates, but possible costs for added recruiting resources (such as more recruiters or larger enlistment or reenlistment bonuses) that may be needed to attract these extra personnel are not included.

Nor did CBO evaluate the impact of these substitutions on mobilization planning or today's war fighting capability. Some of these substitutions would probably have little or no effect. For example, shifting new fighter aircraft to ANG units would result in only slight changes to capability since these units are fully integrated into wartime deployment schedules and their training and experience is generally very high. On the other hand,

TABLE 2. ACTIVE MILITARY PERSONNEL REDUCTIONS
RESULTING FROM RESERVE/GUARD SUBSTITUTIONS:
FISCAL YEARS 1984-1988 (Number of personnel)

Force Structure Change	1984	1985	1986	1987	1988
Add Army Roundout Battalions <u>a/</u>	800	1,600	2,400	3,200	4,000
Add Marine Corps Roundout Brigades <u>b/</u>	930	1,860	2,790	3,720	5,580
Transfer Four Battleships to the Naval Reserve <u>c/</u>	1,125	2,250	2,250	3,375	4,500
Expand Air National Guard Fighter Squadrons <u>d/</u>	670	1,340	2,000	2,670	4,000
Expand Air National Guard Airlift Squadrons <u>e/</u>	<u>1,365</u>	<u>1,365</u>	<u>2,730</u>	<u>2,730</u>	<u>4,095</u>
Total Reductions	4,890	8,415	12,170	15,695	22,175

- a. Assumes one roundout battalion is added each year.
- b. Assumes one brigade added by 1986 and another by 1988 (or one roundout battalion added each year 1984 to 1987 and two battalions in 1988).
- c. Assumes transfer of one battleship to Reserve fleet in 1984 and the scheduled reactivations in 1985, 1987, and 1988.
- d. Assumes six F-16 squadrons are added to the Air National Guard: 1984:1, 1985:1, 1986:1, 1987:1, and 1988:2.
- e. Assumes one C-5 squadron is added to the Air National Guard in 1984, 1986, and 1988.

introducing reserve roundout brigades into active Marine Corps divisions has never been tried, and this substitution might reduce combat capability below acceptable levels.

DETAILS OF RESERVE/GUARD SUBSTITUTIONS

Add Army Roundout Battalions

The Army presently uses "roundout" combat brigades and battalions to fill out its active divisions. These units are made up of guard or reserve personnel who would join their active divisions in the event of a mobilization. (During peacetime the Army plans for these units to train with their active force components wherever possible.) Four roundout brigades and five roundout battalions are presently included in the structure of eight of the ten divisions located in the United States.

If the remaining two U.S. based divisions were altered to include an additional five roundout battalions, then active Army manpower could be reduced by 4,000 personnel. (Guard personnel would increase by an identical figure.)

Adding these five reserve battalions would reduce military personnel costs by \$60 million annually when all the transfers were completed. Additional savings would be realized in operations and maintenance costs since the Reserve battalions would perform less training and require less base operations support than their active-duty counterparts. An exception would be civilian manpower where the Army would need about 250 additional technicians to maintain new Reserve and Guard equipment. Including this increase, the net O&M savings would be \$5 million annually for the five battalions.

Add Marine Corps Roundout Battalions

At present, the Marine Corps force structure includes three active divisions and one Reserve division. If, analogous to the Army, roundout battalions were substituted for active battalions in the two active U.S. divisions, then about 5,600 active personnel could be cut. (This estimate assumes two brigades, or six battalions, in total.) The savings in military personnel costs would be about \$90 million annually for this substitution. As in the Army, Marine Corps operations and maintenance costs would also decline as a result of these changes. CBO estimates that about \$5 million annually would be saved in O&M costs when all six roundout battalions are substituted for active battalions.

Transfer Four Battleships to the Naval Reserve

The Navy's current plans include the reactivation of three battleships--in addition to the New Jersey which rejoined the active fleet this year. If these four ships were eventually transferred to the reserve fleet and manned with 50 percent active and 50 percent reserve crews, then 2,900 fewer active personnel would be required for sea-duty billets. However, the total reduction could be greater if additional enlisted shore billets--used for job rotation from sea duty--were also eliminated. At present, the Navy plans for one enlisted shore billet for every two enlisted sea billets. Substituting reserve personnel for active-duty personnel would allow an additional 1,450 enlisted shore billets to be eliminated, making a total reduction of 4,500 personnel. The net annual military personnel savings--including 3,050 additional reservists--would be \$55 million.

Reductions in Navy O&M costs would result from fewer steaming hours and lower support requirements. These savings are estimated to be \$175 million annually starting in 1988 when all four battleships would be transferred.

Increase the Size of Air National Guard Squadrons and Add New Aircraft

The Air Force currently plans to add four wings (or 12 fighter aircraft squadrons) to the tactical air forces by the end of 1988. Three of these wings (9 squadrons) would be added to the active forces and one wing (3 squadrons) to the Air National Guard. Transferring the missions of some of the new active squadrons to the ANG would reduce the need for active-duty personnel. However, because Guard squadrons rely heavily on civilian personnel to provide maintenance support, the overall manpower reductions would be less than proportional to the military manpower reductions.

Twenty-five ANG squadrons are currently equipped with 18 aircraft. If the aircraft of six squadrons were distributed to 18 other squadrons, the number of planes would be 24 per squadron--the same size as active squadrons. Six ANG units could then be given F-16 aircraft, and six of the nine additional squadrons presently planned for the active forces could be eliminated.

Military personnel reductions for the active forces would be 4,000 for six squadrons. The savings for these personnel--offset by an equal increase in the number of reserve personnel--would be \$50 million annually. Savings in O&M would be affected by the increased civilian costs. CBO estimates

that about 1,350 additional civilian personnel would be required to support the increase in ANG squadrons. The cost of these civilians would more than completely offset reductions in other operating expenditures and result in \$20 million additional O&M costs.

Expand Air National Guard Airlift Squadrons

Based on planned procurement of new aircraft, the Air Force appears to be planning to add three squadrons of airlift/mobility aircraft to the active forces by 1989. (These squadrons will be equipped with C-5 aircraft.) If airlift squadrons in the ANG (equipped with C-130 aircraft) were expanded from eight to 16 aircraft--the number included in active squadrons--then the remaining ANG squadrons could receive the new C-5 aircraft and no additional active squadrons would be required.

Under this structure, military personnel reductions in the active force would be about 4,100 by 1988. When offset by an equal number of additional Guard personnel, the savings for military personnel would total \$55 million annually. Corresponding O&M savings would be about \$65 million annually, including the cost of 690 additional civilians to provide maintenance support for ANG squadrons.